

Message Text

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PAGE 01 OECD P 08875 01 OF 02 110010Z

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ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

EA-11 FRB-02 INR-10 IO-14 NEA-10 NSAE-00 RSC-01

OPIC-12 SP-03 TRSE-00 CIEP-02 LAB-06 SIL-01 SWF-02

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FM USMISSION OECD PARIS

TO SECSTATE WASHDC 2347

INFO USMISSION NATO

UNCLAS SECTION 1 OF 2 OECD PARIS 8875

E.O. 11652: N/A

TAGS: AORG, OECD

SUBJECT: 129TH MEETING COORDINATING COMMITTEE OF GOVERNMENT

BUDGET EXPERTS

1. BEGIN SUMMARY. AT 129TH MEETING, NO CONSENSUS EMERGED DURING DISCUSSIONS ON QUESTION OF TAX ARRANGEMENTS FOR PENSIONS. MOST COUNTRIES UNABLE ACCEPT OUT AND OUT TAX EXEMPTION FOR PENSIONS. UK, ITALY AND US EXPRESSED PRELIMINARY VIEW THAT PENSIONS SHOULD BE SUBJECT TO TAXATION SYSTEMS OF COUNTRIES OF RETIREMENT WITHOUT OFFSETTING COMPENSATION. MOST OTHER DELEGATIONS, AND ESPECIALLY FRENCH, GERMAN AND BELGIAN, FAVORED SOME KIND OF COMPENSATORY PAYMENTS FOR STAFF MEMBERS. SECRETARIES-GENERAL TO CIRCULATE PAPER BEFORE NEXT MEETING ON POSSIBLE TYPES OF COMPENSATORY PAYMENTS AND THE FINANCIAL IMPLICATIONS FOR BUDGETS OF SUCH PAYMENTS. END SUMMARY. ACTION REQUESTED: REQUEST INSTRUCTIONS PARAS 3 AND 7.

2. PROPOSALS FOR EXCEPTIONAL REVIEW FOR STAFF IN GERMANY AND FOR DAILY SUBSISTENCE ALLOWANCES APPROVED. CONSIDERATION PROPOSAL FOR ADJUSTMENT KILOMETRIC ALLOWANCE RATES POSTPONED UNTIL NEXT MEETING ON APRIL 25.

UNCLASSIFIED

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PAGE 02 OECD P 08875 01 OF 02 110010Z

3. US AND ITALY REAFFIRMED RESERVES ON PROPOSAL FOR GRANTING

INCREASED PENSION RIGHTS FOR STAFF MEMBERS CONTINUING WORK AFTER AGE OF 60. SECRETARIES-GENERAL REQUESTED THIS ITEM BE INCLUDED ON AGENDA NEXT CCG MEETING. IN SEPARATE SESSION AFTER CCG MEETING, CHIEF OF OECD PERSONNEL (BERLINE) RECOUNTED SECRETARIES-GENERAL ARGUMENTS FOR THESE ADDITIONAL PENSION BENEFITS AND REQUESTED MISSION TO SEEK FURTHER WASHINGTON RECONSIDERATION OF THIS ISSUE. APPARENTLY STAFF ASSOCIATION AGITATING OVER OMISSION THIS BENEFIT FROM PENSION PLAN. SINCE US LIKELY BE ISOLATED ON THIS ISSUE AT NEXT MEETING, REQUEST INSTRUCTIONS ON WHETHER RESERVE SHOULD BE MAINTAINED.

4. INITIAL DISCUSSIONS ON TAX ARRANGEMENTS HIGHLIGHTED DIFFICULTIES LIKELY TO BE ENCOUNTERED BY CCG. MOST COUNTRIES UNABLE ACCEPT ANY ACROSS-THE-BOARD TAX EXEMPTION FOR PENSION OF CCG STAFF MEMBERS. THERE WAS LITTLE WILLINGNESS TO CONSIDER A SYSTEM OF INTERNAL TAXATION OF THE TYPE IN FORCE IN THE EUROPEAN COMMUNITIES. THREE DELEGATIONS (US, UK AND ITALY) EXPRESSED A PRELIMINARY VIEW THAT PENSIONS SHOULD BE SUBJECT TO TAXATION SYSTEMS OF THE COUNTRIES OF RETIREMENT.

5. MOST DELEGATIONS WILLING TO STUDY FURTHER SOME TYPE OF COMPENSATORY PAYMENTS FOR STAFF MEMBERS. THE TWO TYPES OF COMPENSATORY ARRANGEMENTS CONSIDERED WERE THOSE LISTED IN PARA 2(D), PAGE 4 OF CCG/W(74)7. IN BOTH OF THESE SYSTEMS THE PENSIONS WOULD BE SUBJECT TO THE TAXATION SYSTEMS OF THE COUNTRIES OF RETIREMENT.
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PAGE 01 OECD P 08875 02 OF 02 110014Z

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UNCLAS SECTION 2 OF 2 OECD PARIS 8875

IN ONE THE TAXES PAID BY RETIREES WOULD BE REIMBURSED TO THEM BY ORGANIZATIONS CONCERNED. THE SECRETARIES-GENERAL FAVORED THE REIMBURSEMENT OF THE TAXES ACTUALLY PAID AS MATTER OF EQUITY TO THEIR EMPLOYEES, THEIR MAIN RATIONALE BEING THAT SALARIES AND THE RESULTANT PENSIONS ARE CALCULATED ON A TAX-EXEMPT BASIS AND ARE THUS LOWER THAN WOULD BE THE CASE IF PENSIONS WERE CALCULATED FROM A TAXABLE BASE. IN THE OTHER SYSTEM THE RETIREE WOULD BE PARTIALLY COMPENSATED FOR TAXATION BY THE GROSSING UP OF THE PENSION BY A GIVEN PERCENTAGE. THE BELGIUMS, WITH SUPPORT FROM THE FRENCH, PRESSED HARD FOR THE ACCEPTANCE OF THE GROSSING UP OF PENSIONS BY A GIVEN PERCENTAGE. THEY ARGUED FOR THE RELATIVE EASE IN ADMINISTERING SUCH AN ADJUSTMENT AND INDICATED THAT THE ACROSS-THE-BOARD GROSSING UP WOULD BE SOME TYPE OF GENERAL AVERAGE OF THE DIRECT TAXES IMPOSED UPON PENSIONERS. TO CLARIFY THE ISSUES, THE SECRETARIES-GENERAL UNDERTOOK TO COMPLETE A STUDY OF THESE TWO TYPES OF COMPENSATORY PAYMENTS AND THEIR FINANCIAL IMPLICATIONS AND TO SUBMIT A REPORT PRIOR TO THE NEXT CCG MEETING.

6. MISSION IS NOT ENTHUSED WITH EITHER OF THESE SYSTEMS OF COMPENSATORY PAYMENTS AS THEY HAVE THUS FAR BEEN PRESENTED. WE DO NOT OBJECT IN PRINCIPLE TO SOME SORT OF COMPENSATORY PAYMENT TO HARMONIZE THE DIFFERENCE BETWEEN A PENSION PAYMENT CALCULATED

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PAGE 02 OECD P 08875 02 OF 02 110014Z

ON THE BASIS OF TAX-FREE SALARY AND THAT OF A TAXABLE SALARY. HOWEVER, WE ARE CONCERNED ABOUT ANY PROPOSAL THAT WOULD CALL FOR THE USG TO MAKE BUDGET CONTRIBUTIONS FOR COMPENSATORY PAYMENTS TO AN OVERWHELMING NON-AMERICAN RETIRED STAFF TO OFFSET THEIR PAYMENT OF NATIONAL TAXES. IF THIS MAJOR CONCERN COULD BE OVERCOME, WE WOULD HOPE THAT FAVORABLE CONSIDERATION COULD BE GIVEN TO SOME FORMULA FOR COMPENSATORY PAYMENTS WHICH WOULD BE ALMOST EQUIVALENT TO GRANTING TAX EXEMPTION. ONE POTENTIAL FORMULA THAT MIGHT BE CONSIDERED WOULD BE FOR EACH MEMBER COUNTRY TO MAKE BUDGETARY CONTRIBUTIONS EQUAL TO THE AMOUNT OF DIRECT TAXES ON PENSIONS PAID IN THEIR COUNTRY AND REIMBURSED TO THE INDIVIDUAL BY THE ORGANIZATION.

7. MISSION WILL FORWARD SECRETARIES-GENERAL REPORT WHEN IT IS AVAILABLE. MISSION WILL REQUIRE DETAILED INSTRUCTIONS AND COMMENTS ON TYPES OF COMPENSATORY PAYMENTS OUTLINED IN PARA 5.

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